

VISIT...

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- Time & Sales part 2: Reading tape speed and momentum plays

● Main Points:

- One professional tape-reading technique that is not widely known is are the "speed patterns" and differences in momentum that you can see in T&S before pivots.
- What this means is, while watching time and sales you should be keenly aware of any speedup in the pace of the trading, especially if trades start to go off faster and faster near a key support or resistance point. This signals that a breakthrough or retracement is about to occur.
- Except for very slow-moving stocks (which I don't trade), there is little value in the "time" part of time and sales prints. What I'm watching is the tape momentum, trades going off at the bid, ask or in-between, and the offer/ask sizes and new prints that are entered in realtime. Most of the stocks I trade are over 1M shares a day, so trades are continuously going off. The point? If you can, take the time off of your t&s ticker, as you see in my examples throughout the course materials. The price and quantity is what's relevant, as is the momentum, or timing, which I am trading with in realtime (so a timestamp is meaningless).
- This is one section I plan to come back with and add screencam-type movies to, as it is easier to explain as you watch a tape "in motion". For now, let's learn the strategies:

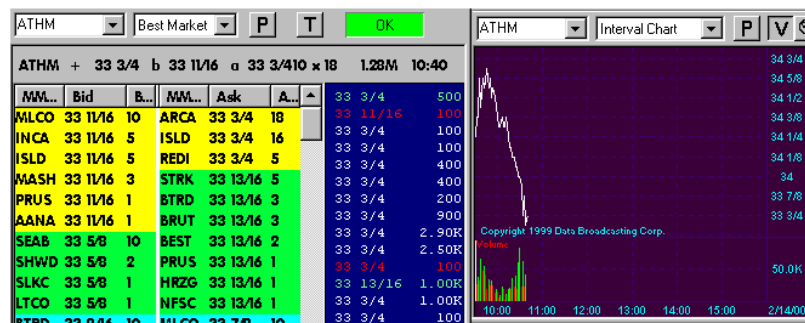
Reading the Tape: Speed and Momentum Patterns in Time & Sales

Recap: High-Percentage Long Play in Time & Sales

From last lesson, we learned that setups like this are "gifts" that should be played long:

- 1) almost all trades going off in Time & Sales at the inside ask (bullish)
- 2) volume picks up at this bottom near 33 5/8 to 33 3/4
- 3) 10:30 nasdaq bounce is a good time to go long

Bid 11/16 or pay up the spread, use 5/8 as a stop.



Now, in the example above, would you want to buy if time and sales was going a) **faster** than it was earlier, as the stock sold off, or b) **slower** than it was when the stock was selling off? Hmm?

Answer: you want to go in the direction of the tape speed, so you'd want to see the buying in time and sales going off a) **faster** than it was during selling. Why? Speed and volume = momentum voting by the crowd.

Let's think about what's happening - you want to join in on the direction, the momentum, just as soon as the pivot (price direction change) occurs, such as off a bottom, where the stock "looks cheap" and others all want to buy some.

You want to exit before everyone else "heads for the door" too, so you sell into the buying momentum. This lesson shows what that means from a tape-reading perspective; the signals you want to look for in the tape to help you make trading decisions.

For pivots, you'll see a flurry of selling, some indecision, some in-between trades, then a flurry of buying, then a shake, then more buying etc. The speed slows down as indecision grips the traders worldwide you're trading with. What will happen next?-everyone is wondering. Waiting until you see a flurry of buys at the inside ask is a final indicator that the trade is headed up, in tape reading and scalping you need to be very fast on the trigger to capitalize on these moves.

DELL SCALP Using Time & Sales:

Let the Tape Speed Help You Decide When to Buy...

Let's look at an example of DELL from late Feb., 2000 -

Chart #1: here we see a bearish pattern in T&S, trades all going off at the bid. But, it's at a whole number support level, so let's see where it goes from here...Waiting to see buyers before entering a trade.

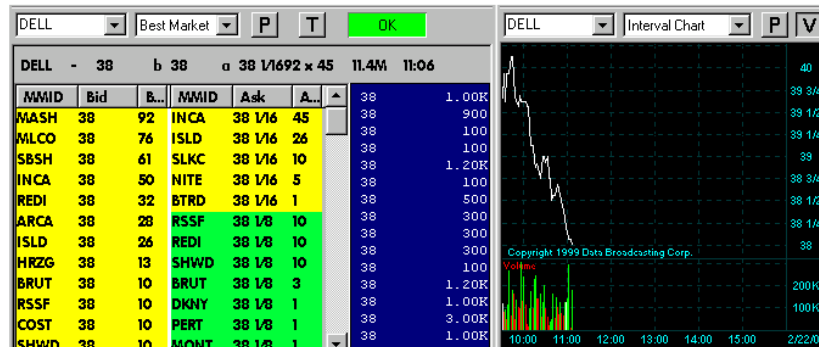


Chart #2: DELL bought at buyers took out the 38 1/16 asks 20 mins later, we see most of the trades going off at the ask, 38 5/16, still bullish. As far as momentum goes, you can see by the volume bars at the bottom of the chart that the upturn is occurring on slightly less volume. The trade pace is still brisk in T&S, so we stay in long.

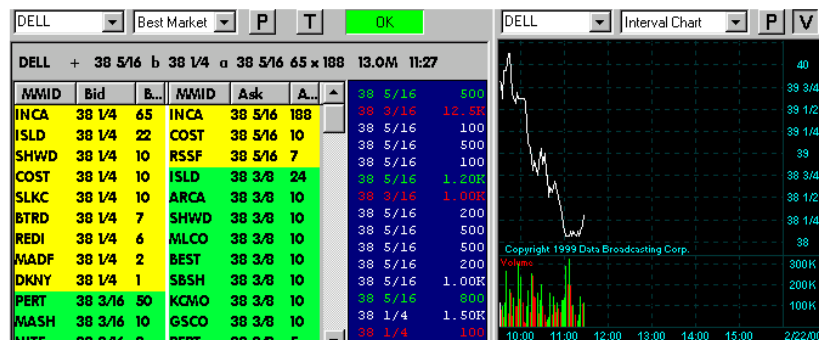


Chart #3: Here we see continued strength in time and sales - all of the trades went off at the ask price of 7/16 or better. Nobody's selling..we stay in long.

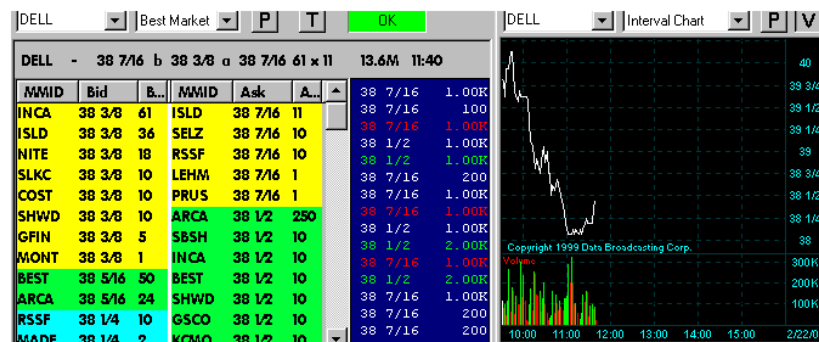
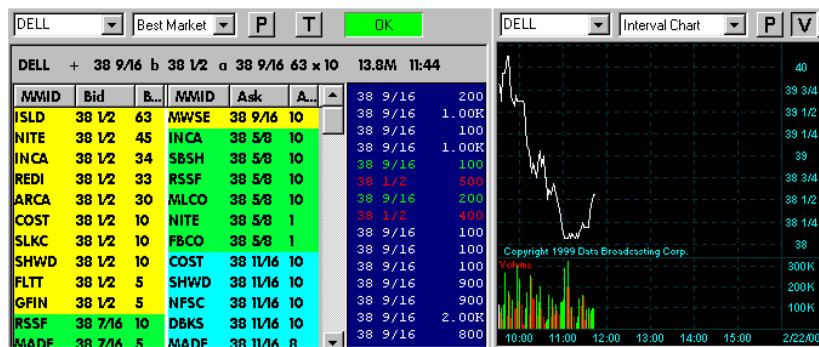


Chart #4: Now we see even more buying at 9/16...bullish, we stay in long. We end up closing the position at 38 11/16 for a 5/8 point gain on 500 shares, or \$360 in about 20 minutes. Not too bad. Why sell? Because the tape speed slowed down, and the retracement was fairly large for the timeframe and price.

Time and sales is our guidepost that shows us where the crowd is taking the stock at a given point in time. When trades go off faster and faster in time and sales, be sure you're on the side of the momentum you see.



Time	Exg	Price	Size	Flags	Bid	Exg	Ask	Exg	Sizes
2/22 11:35:58	NASD	101 5/8	700						
2/22 11:35:57	NASD	101 11/16	2000						
2/22 11:35:57	NASD	101 9/16	5000						
2/22 11:35:56	NASD	101 11/16	2000						
2/22 11:35:56	NASD	101 5/8	400						
2/22 11:35:55	NASD	101 5/8	400						
2/22 11:35:52	NASD	101 41/64	1000						
2/22 11:35:52	NASD	101 5/8	100						
2/22 11:35:51	NASD	101 9/16	1000						
2/22 11:35:51	NASD	101 9/16	3000						
2/22 11:35:51					101 5/8	NASD	101 11/16	NASD	10x36
2/22 11:35:48	NASD	101 11/16	1000						
2/22 11:35:45	NASD	101 5/8	100						
2/22 11:35:45					101 5/8	NASD	101 11/16	NASD	10x46
2/22 11:35:45	NASD	101 5/8	1000						
2/22 11:35:45	NASD	101 11/16	100						
2/22 11:35:43	NASD	101 5/8	200						
2/22 11:35:43	NASD	101 5/8	1000						
2/22 11:35:41	NASD	101 5/8	1000						
2/22 11:35:40	NASD	101 5/8	1000						
2/22 11:35:40	NASD	101 3/4	10000						
2/22 11:35:39	NASD	101 5/8	100						
2/22 11:35:38	NASD	101 5/8	300						
2/22 11:35:38	NASD	101 5/8	200						
2/22 11:35:38	NASD	101 11/16	200						
2/22 11:35:38	NASD	101 5/8	100						
2/22 11:35:38	NASD	101 5/8	100						
2/22 11:35:38	NASD	101 41/64	100						
2/22 11:35:37	NASD	101 5/8	100						
2/22 11:35:37	NASD	101 11/16	500						
2/22 11:35:37					101 5/8	NASD	101 11/16	NASD	10x23
2/22 11:35:35	NASD	101 5/8	100						
2/22 11:35:35	NASD	101 5/8	100						
2/22 11:35:34	NASD	101 5/8	300						
2/22 11:35:34	NASD	101 5/8	200						

"Volume and Block Bear Signs" in time and sales:

Looking at INTC here, what warning flags do you see?

1) christmas tree, green and red mixed, so we're either at a pivot or a low-percentage place to trade, avoid it

2) See in the "Sizes" column where the bid/ask sizes are all bigger on the ask size? This is bearish too - eg 10x36 (bid x ask, 36 is bigger), 10x46 etc, means there is more stock to sell than there is to buy, a bearish sign.

Learn to monitor the sizes as well as the momentum and pace of the tape; when these traders are entering their tier buy/sell sizes you know which direction or sentiment they have towards the near-term direction of the stock price.

3 out of 3 bid/ask pairs are bearish, and there's not a steady string or majority of trades going off at the ask, so this is a stock to either short or stay out of for now.

Daytraders Play: Using the Tape Speed to Enter and Exit Positions

24 7/16	100
24 7/16	200
24 7/16	1.00K
24 7/16	500
24 7/16	1.00K
24 7/16	200
24 7/16	200
24 7/16	200
24 1/2	200
24 1/2	500
24 1/2	100
24 1/2	500
24 1/2	100
24 1/2	200
24 1/2	500
24 1/2	100

Which of the two T&S displays is faster? If this is the same stock, but at different times during the trading day, how would you play it?

Well, if it was 9:50 and we see a time and sales like the one to the left, and all of a sudden it gets fast, like the one on the right, we know something's happening - either a breakout or a retracement will happen. You want to train your eye to see the different tape speeds, and to know how fast trades usually execute in T&S at different times during the day for the stocks you like to trade.

Learn it and prosper.

24 1/2	1.50K
24 1/2	500
24 7/16	100
24 7/16	200
24 7/16	1.00K
24 7/16	500
24 7/16	1.00K
24 7/16	200
24 7/16	200
24 1/2	200
24 1/2	500
24 1/2	100
24 1/2	200
24 1/2	500
24 1/2	100

A Few More Professional Time & Sales Tape Speed Guidelines:

1. If it speeds through a whole number in either direction, be prepared to play the pivot 1/16 to 1/4 point on through the whole number.
2. Pay close attention for blocks going off during tape speed-ups, this signals that institutional buyers/sellers "agree" with the crowd (important) and will likely maintain direction in the direction that they traded in (eg block going off at the bid, ask, in-between or outside).
3. Be aware that a mm fake play is to fire off a string of 100-200 share trades (vs a block) in the direction he wants the stock to go in to cover/buy a block once it starts consolidating. He makes it look like there's a string of buyers/sellers when in reality it's just him, trying to work the order flow to his advantage. No real counter-plays for this one.
4. Get to know the T&S action for 1-3 stocks like the back of your hand, know what's routine vs. price-moving.